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C O N F I D E N T I A L SECTION 01 OF 02 HONG KONG 001215

SIPDIS

STATE FOR EAP/CM; DHS FOR SFI DINUCCI

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SUBJECT: SFI PILOT: HONG KONG EAGER FOR STATUS QUO

Classified By: E/P Chief Laurent Charbonnet, Reason 1.4 b

11. (C) Summary: Department of Homeland Security Secure Freight Initiative (SFI) Director Richard DiNucci met with Hong Kong Trade and Investment Department (HK TID) Deputy Director General Ngai Wing Chit to reassure Hong Kong of the U.S. Government's commitment to the Secure Freight Initiative pilot project in Hong Kong and explain the challenges of retaining the non-intrusive inspection (NII) equipment currently in place at Modern Terminal. Ngai and his staff are willing to allow routine maintenance and upgrades in the SAIC equipment now in place, but expressed their strong preference for no new systems to be installed before the expiration of the current agreement in April 2009. End Summary.

12. (C) SFI Director DiNucci, accompanied by DHS' Hans Lieterman and Department of Energy's Bill Kilmartin, met with TID Deputy Director General Ngai, Assistant DG Erica Ng and HK TID, Customs and Transportation Bureau staff on June 11 to discuss the status of the SFI pilot project in Hong Kong. DiNucci informed HK TID that SAIC, the owner of the NII system currently used in the SFI pilot at Port of Hong Kong's Modern Terminal, is considering whether to remove the system in order to sell it to another customer. (Note: The system currently in place at Modern Terminal is no longer the most current technology available. SAIC has been providing this system in Hong Kong free of charge since the inception of the pilot project in November 2004. The system has experienced numerous technical problems, although an SAIC technician on site was able to resolve most issues from January through April 2008. Since the departure of the technician in April, problems have recurred and the system has once again faced prolonged outages. End Note.) DiNucci assured HK TID that the U.S. government is committed to maintaining the current pilot project and is actively consulting with SAIC to find a way to keep the system in place and operational at Modern Terminal without an interruption of service.

13. (C) DiNucci told Ngai that the SFI Assessment Report originally scheduled to be released in April was delayed by the desire to include views from shippers. The Report was delivered to Congress in June and included Hong Kong's full assessment of the pilot project. The Senate Committee on Commerce, Science and Transportation would hold hearings on the program June 12 which should provide some insights into DHS's view of the program's future, said DiNucci. U.S. Customs and Border Patrol (CBP) is endorsing a risk-based targeting approach, he added. The next Assessment Report is due in October 2008. (Note: At the hearing, CBP Deputy Commissioner Jayson Ahern argued that significant obstacles to 100% scanning, particularly the difficulty of scanning transshipped cargo that does not enter the port via a road gate, will make it difficult to achieve 100% scanning of all

U.S.-bound cargo by 2012 as Congressionally mandated. Ahern advocated focusing resources on high-risk corridors. End Note.)

14. (C) Ngai responded that HK TID and Customs also support a risk-based approach that includes Hong Kong. HK TID wants to keep the SFI pilot operating smoothly and would prefer to do that with the equipment that is now in place. DiNucci agreed, but noted that the current system may need some upgrades and advanced maintenance to maximize its effectiveness.

15. (C) Ngai offered that the Hong Kong government is particularly concerned about the health risks to truck drivers who could pass through the NII system as many as four times per day. Hong Kong needs to be careful about upgrading the equipment if that means exposure to higher doses of radiation for drivers; the issue is even more sensitive with elections for the Legislative Council scheduled for September 2008, he said. DiNucci reiterated the need for upgrades and advanced maintenance to improve the effectiveness and efficiency of the current system. DHS's Leiterman offered that an upgrade would not require new equipment or a move to an X-ray NII system, but would simply mean replacement of the current gamma radiation source with a fresh gamma source in order to improve effectiveness through the end of the current pilot project in April 2009.

16. (C) Deputy DG Ngai welcomed this news and repeated the Hong Kong government's preference for continuation of the status quo for the full period of the pilot project. Safety

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is Hong Kong's major concern; any additional information on the safety of any proposed new equipment is welcome. He allowed that discussions about replacement equipment and other major system upgrades may be necessary before the end of the project, but said HK TID would not be prepared to have those discussions before October. Likewise, talks about extending the scope of the pilot to transshipment would not be welcomed by HK TID at this time.

17. (C) The meeting was attended by Department of Homeland Security (DHS) SFI Director Richard DiNucci, DHS's Hans Leiterman, Department of Energy's William Kilmartin, U.S. Consulate General Customs and Border Protection (CBP) Richard Powell, and Economic Unit Chief Jim Mullinax. Hong Kong Government was represented by Trade and Industrial Development (TID) Deputy Director General NGAI Wing Kit, Assistant DG Erica NG, Trade Officer Doris CHAN, Custom's and Excise Head of Command for Ports and Maritime, LI Chun fai, and unidentified representatives from the Commerce and Economic Development Bureau and Department of Transportation.

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